No. 94-1026 (3)

FILED
FEB 1 1995
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

MERRIAM-WEBSTER, INCORPORATED,

Petitioner,

v.

RANDOM HOUSE, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITIONER'S REPLY BRIEF

ALAN MANSFIELD
Counsel of Record

LILE H. DEINARD
ALAN N. SUTIN
DAVID M. ELKINS
GREENBERG, TRAURIG, HOFFMAN, LIPOFF, ROSEN & QUENTEL
Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 801-9200
Counsel for Petitioner

WILLIAM J. BOWE
Of Counsel

February 1, 1995

BEST AVAILABLE COPY

14 pp

TABLE OF CONTENTS

		Page
TABLE OF CONTENTS	. . . . .	i
TABLE OF AUTHORITIES	. . . . .	ii
ARGUMENT	. . . . .	1
I.	Random House Does Not Challenge Merriam-Webster's Reasons For Granting The Petition	1
II.	The Standard of Review Issue Was Preserved For Review	2
III.	Review Under A Deferential Standard Would Have Sustained The Fact-Finder's Decision And Random House's Argument To The Contrary Is Analytically Unsound	4
CONCLUSION	. . . . .	10

TABLE OF AUTHORITIES

Cases	Page
Bristol-Myers Squibb Co. v. McNeil-P.P.C. Inc., 973 F.2d 1033 (2d Cir. 1992)	3
Dennison v. Panduit, 475 U.S. 809 (1986), *on remand*, 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987)	1
First Options of Chicago, Inc. v. Kaplan, 19 F.3d 1503 (3rd Cir.), *cert. granted*, 115 S. Ct. 634 (1994)	10
Gallick v. Baltimore & Ohio Railroad Co., 372 U.S. 108 (1963)	6
Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985)	1
Jellibeans, Inc. v. Skating Clubs of Georgia, Inc., 716 F.2d 833 (11th Cir. 1983)	6
John J. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966 (11th Cir. 1983)	*passim*
Mitchell v. Forsyth, 472 U.S. 511 (1985)	4
Nixon v. Fitzgerald, 457 U.S. 731 (1982)	4
Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961)	*passim*
Pullman-Standard v. Swint, 456 U.S. 273 (1982)	3
United States v. Williams, 112 S. Ct. 1735 (1992)	4
Virginia Bankshares, Inc. v. Sandberg, 501 U.S. 1083 (1991)	4

TABLE OF AUTHORITIES - CONTINUED

Page

W.W.W. Pharmaceutical Co. v. Gillette Co., 808 F. Supp. 1013 (S.D.N.Y. 1992), *aff'd*, 984 F.2d 567 (2d Cir. 1993) 7

Wilton (Leslie) v. Seven Falls Co., 29 F.3d 623 (5th Cir. 1994), *cert. granted*, 115 S. Ct. 571 (1994) 10

SECONDARY AUTHORITIES

II Donald S. Chisum, *Patents: A Treatise on the Law of Patentability, Validity and Infringement* (1994) 1-2

Bradley G. Lane, *A Proposal To View Patent Claim Nonobviousness From The Policy Perspective Of Federal Rule Of Civil Procedure 52(A)*, 20 U.Mich. J. L. Ref. 1157 (1987) 2

Robert L. Stern, et al., *Supreme Court Practice* (7th ed. 1993) 4

STATUTES

Lanham Trademark Act:

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988) 2

FEDERAL RULES

Federal Rules of Civil Procedure 52(a) 1

ARGUMENT

I. Random House Does Not Challenge Merriam-Webster's Reasons For Granting The Petition.

Random House Inc.'s ("Random House's") opposition brief is particularly noteworthy for what it fails to do. Nowhere in its twenty pages does Random House challenge the merits of the petition. Nowhere does Random House contest that:

1) there is a sharp, irreconcilable split among the circuit courts regarding the appropriate standard of review of the likelihood of confusion element of a trade infringement action and that a plethora of lower courts and academic scholars have repeatedly urged that this issue be resolved (Petition for a Writ of Certiorari ("Pet.") at 8-10);

2) uniform adoption of the clearly erroneous standard is warranted because likelihood of confusion focuses on whether ordinary consumers are likely to be confused regarding the origin of two similar products -- an exercise which fact-finders routinely and effectively perform (Pet. at 11-14);

3) analogous areas of trademark law utilize the clearly erroneous standard of review (Pet. at 15-16);[1] and

---

[1] Random House's suggestion that *de novo* review with respect to fair use in copyright and obviousness in patent law controls the likelihood of confusion issue is unavailing. (Brief For Random House In Opposition ("Opp. Cert.") at 18 n.16). As Random House's own citation reveals, fair use, unlike likelihood of confusion, typically implicates the first amendment and therefore may merit closer scrutiny under the Court's precedent. *See Harper & Row Publishers v. Nation Enterprises*, 471 U.S. 539, 555-560 (1985) (discussion of first amendment's relation to copyright). The standard of review applied to obviousness, meanwhile, is much less clear than Random House implies. The Court has never decided the question, and in *dictum* has suggested that the proper standard of review is an open and difficult question. *Dennison v. Panduit*, 475 U.S. 809, 811 (1986), *on remand*, 810 F.2d.1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987) (application of Rule 52(a) to obviousness discussed). *See also*, II Donald S. Chisum, *Patents: A Treatise on the Law of Patentability, Validity and Infringement*, § 5.04[3], at 5-328 (1994) (continued...)

4) deferential review is appropriate because (a) constitutional implications are absent, (b) such review is consistent with the general division between district courts as triers of fact and appellate courts as expositors of precedent setting law, (c) no principled basis exists for strict review[2] and (d) *de novo* review of jury verdicts offends seventh amendment protections.

Instead of addressing Merriam-Webster Incorporated's ("Merriam-Webster's") compelling demonstration why a writ of *certiorari* should be granted in this case, Random House rests its opposition on two lifeless arguments: the standard of review issue was not preserved and the result would have been the same under any standard. As shown below, the first contention is flatly contradicted by the record and the second is the product of rank guesswork unsupported by any fair analysis of the trial record and jury verdict.

II. The Standard Of Review Issue Was Preserved For Review.

Curiously, the centerpiece of Random House's opposition brief is that the question of the standard of review of likelihood of confusion was not preserved for review. (Opp. Cert. at 9). To the contrary, the issue was raised in each of the three appellate briefs filed below and was subsequently addressed by the Second Circuit. Indeed, in its initial brief as appellant before the court of appeals, Random House's first point heading, subsection A read: "The Ultimate Determination Of Likelihood Of Confusion Under Section 43(a) Of The Lanham Act Is A Question Of Law -- Subject

---

[1] (...continued)
(application of *de novo* review to obviousness is "highly debated"); Bradley G. Lane, *A Proposal To View Patent Claim Nonobviousness From the Policy Perspective Of Federal Rule Of Civil Procedure 52(A)*, 20 U. Mich. L. J. Ref. 1157 (1987).

[2] Random House does not contest that the Second Circuit has articulated no principled basis for the application of such a standard. (*See* Pet. at 21-23).

To *De Novo* Review By The Second Circuit." (Brief of Defendant-Appellant-Cross-Appellee at 13). There, Random House argued that prior to the district court's decision concerning Random House's "post-judgment motion to set aside the jury's findings, the Second Circuit clarified the standards of appellate review" concerning likelihood of confusion, and held that "while the individual *Polaroid* factors present questions of fact; however, the ultimate determination of likelihood of confusion is a question of law. *Bristol-Myers*, 973 F.2d at 1043." (*Id.* at 13-14). Arguing that the district court ignored Second Circuit law in sustaining the jury's liability finding, Random House emphasized: "[h]owever, as this issue involves a complex question of law, the jury's implicit 'legal' conclusion here -- that [Random House's] trade dress is likely to cause confusion with [Merriam-Webster's] trade dress -- should, in fact, be accorded *no* deference upon *de novo* review by this Court." (*Id.* at 14-15).

Random House also concedes that Merriam-Webster's answering brief argued that the Second Circuit's *de novo* standard was inconsistent with the majority rule. (Opp. Cert. at 9). Specifically, Merriam-Webster stated that "the Second Circuit view varies from that of the majority of the circuits that consider 'likelihood of confusion' to be a question of fact for the jury to decide." (Brief of Plaintiff-Appellee-Cross-Appellant Merriam-Webster at 21, n.6). Moreover, Merriam-Webster argued that the minority view clashed with *Pullman-Standard*, a pivotal case on which its petition relies, stating: "[a]lthough [Merriam-Webster] believes that the Second Circuit view was called into question in *Pullman-Standard v. Swint*, 456 U.S 273, 287-88 (1982), subsequent Second Circuit cases continue to find that 'likelihood of confusion' is a question of law subject to *de novo* review." *(Id.)*

Presumably in response to Merriam-Webster's position, Random House's reply brief again addressed the standard of review issue, and argued that the district court erred by failing to treat likelihood of confusion as a question of law reviewed *de novo*. (Reply Brief of Random House and Answering Brief on Merriam-Webster's Cross-Appeal at 7-9). The Second

Circuit expressly passed on the standard of review issue in its opinion, and reaffirmed its prior holdings that "[w]hether likelihood of confusion exists is a matter of mixed fact and law reviewed *de novo*." (Pet. at A10).

An issue is properly preserved for review by the Court if the issue was raised below *or* if the appellate court addressed the issue. *United States v. Williams*, 112 S. Ct. 1735, 1738-39 (1992). Both elements of this disjunctive test are met in this case. The standard of review issue was raised on appeal (by both litigants) and addressed by the appellate court in its opinion. *See id.* at 1740 (court of appeals' restatement of exculpatory evidence rule preserved issue for review); *Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1099 n.8 (1991) (although not raised below, the issue was preserved because the appellate court passed on the issue). Random House's preservation argument is without merit.[3]

III. Review Under A Deferential Standard Would Have Sustained The Fact-Finder's Decision And Random House's Argument To The Contrary Is Analytically Unsound.

Random House's conjecture that all circuit courts would have vacated the permanent injunction order and the jury's verdict in this case is predicated on a flawed understanding of deferential review. The majority rule treats with equal deference each of the fact-finder's *Polaroid* findings and the fact-finder's ultimate conclusion based on its weighing of all the factors. The minority rule, by contrast, as embodied in the Second Circuit's opinion here, requires a

---

[3] Because questions regarding appropriate appellate standards of review are purely legal, even if they had not been raised or addressed below, the Court's precedent nevertheless provides for review. *See* Robert L. Stern et al., *Supreme Court Practice* 344 n.92 (7th ed. 1993) ("'purely legal questions' presented in petition may be appropriate for decision even though not addressed by lower court"), *citing Nixon v. Fitzgerald*, 457 U.S. 731, 741-43 (1982); *Mitchell v. Forsyth*, 472 U.S. 511, 530 (1985).

court to substitute its own judgment of how the *Polaroid* factors should be weighed, without regard to how the fact-finder may have weighed these factors.[4]

As the Second Circuit and Random House acknowledge, the jury interrogatories did not mirror the *Polaroid* factors and the jury did not answer how it came out on each of the factors. (Pet. at A10-11; Opp. Cert. at 12-13). Rather the jury was asked to find generally whether there was trade dress infringement after considering the *Polaroid* factors set forth in the district court's instructions. (*Id.*) The district court correctly observed that the law requires only that "a number of the *Polaroid* factors clearly tip in [Merriam-Webster's] favor." (Pet. at A29). The district court also explained that it is for "the jury to decide the relative weight, if any, to be assigned to each factor in determining likelihood of confusion, as well as to evaluate the evidence itself." (*Id.*) Thus no appellate court could know whether the jury's verdict was premised on findings in favor of Merriam-Webster on all or only some of the *Polaroid* factors and Random House's argument that the jury found in Merriam-Webster's favor on all six factors is pure speculation. *A fortiori*, Random House is also speculating when it asserts that three of the jury's tacit findings were clearly erroneous. (Opp. Cert. at 19).

It follows that Random House was wrong in concluding that all appellate courts would have overturned the result below because it can not conceive that "a clear-error court would have concluded that an ultimate finding of likelihood of confusion, which depended on three clearly erroneous *Polaroid* findings, was not itself clear error." *Id.* With respect to the individual factors, the most any court employing deferential review could do is conclude that three elements

---

[4] Random House makes too much of the Second Circuit's statement that no likelihood of confusion existed "as a matter of law." (Opp. Cert. at 19). This tautological statement does not mean, as Random House argues, that the Second Circuit necessarily would have reached the same result applying a deferential standard. *Id.* Because the Second Circuit considers likelihood of confusion to be a mixed question of law and fact, it necessarily reweighs the *Polaroid* factors as a matter of law.

favored Merriam-Webster, two favored Random House, and one, consumer sophistication, was neutral.[5] A court employing deferential review would then review the fact-finder's weighing to see if there was any reasonable way to support the verdict of bad faith infringement.[6]

By contrast, the Second Circuit applied the minority rule, which requires it to substitute its independent judgment of the weight of the factors without analyzing the verdict or conducting a seventh amendment based inquiry to see whether any reasonable basis supported the fact-finder's decision.[7]

---

[5] Or, assuming *arguendo*, as Random House asserts, that a lack of evidence of consumer sophistication existed which could somehow weigh against Merriam-Webster, an equal number of factors weighed in favor of each party. Random House disingenuously attempts to take advantage of the Second Circuit's misstatement concerning its view of the number of factors that weighed in Merriam-Webster's favor. While recognizing at several points that the Second Circuit accepted that the jury must have found for Merriam-Webster on three of the six *Polaroid* elements (Opp. Cert. at 12, 13, 19), as support for its view that all courts would have reversed the verdict, Random House nevertheless quotes the Second Circuit's erroneous statement that only one factor, bad faith, supported a finding of likelihood of confusion. (Opp. Cert. at 8, 18).

[6] Random House mistakenly cites *Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833 (11th Cir. 1983), for the proposition that all courts would have found reversible error in the first prong of their review, the part where the court examines "whether a mistake regarding the Polaroid findings *caused* clear error on the ultimate issue of likelihood of confusion." (Opp. Cert. at 19). (Emphasis added). Because it applied *de novo* review to a general verdict, the Second Circuit did not consider whether the jury's purportedly erroneous findings on individual factors caused it to make a clearly erroneous decision regarding the ultimate issue.

[7] The Second Circuit did not engage in this analysis. Under the seventh amendment, jury findings may be disregarded only if they are so inherently incompatible that no attempt to reconcile them can succeed. If any reading of the jury interrogatory responses makes the findings consistent, that reading must be adopted. *Gallick v. Baltimore & Ohio Railroad Co.*, 372 U.S. 108, 118 (1963). Random House notes an alleged discrepancy between the jury's finding that the Merriam-Webster logo is strong and distinctive and the jury's "contradictory" finding that the jackets are confusingly similar. (Opp. Cert. at 13). Notwithstanding that no one knows how the jury weighed this factor, Random House is merely repeating here arguments that it made to the jury at trial -- arguments that

(continued...)

Had the Second Circuit deferentially reviewed all the evidence before the jury, it would have upheld the verdict.[8]

John J. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966 (11th Cir. 1983), a case Random House ostensibly cites in support of its view (Opp. Cert. at 19), illustrates that deferential appellate review would have upheld the results below. In *Harland*, a bank check manufacturer brought an action against a competitor for trademark and trade dress infringement, dilution and other state law claims. The jury returned a general verdict in plaintiff's favor on the trademark and trade dress claims and awarded damages. The district court entered judgment for plaintiff and, as in this case,

---

[7] (...continued)
the jury considered and ultimately rejected in finding for Merriam-Webster. *See, e.g.*, Trial transcript dated September 23, 1991, at 160, 173; Trial Transcript dated October 21, 1991, at 3365. Here, it was reasonable, and in fact discriminating, for the jury to conclude that Random House infringed Merriam-Webster's trade dress -- the look of the dust jacket as a whole -- but did not infringe one portion of that trade dress, a trademark. (*See* Opp. Cert. at 5, 13-14.) In accordance with the court's instructions, the jury carefully parsed out the difference between a trademark and trade dress claim and concluded that, while Merriam-Webster's bull's eye logo was not infringed by Random House, the overall trade dress, as depicted by, among other things, the colors of the jackets, the typography and the accentuation of the word Webster's on the spine, was both infringed and diluted. The bull's eye is merely one aspect of the dress and was clearly taken into consideration by the jury.

[8] In another attempt to show that the jury was confused, Random House points to the jury's decision to award Merriam-Webster punitive damages for Random House's malicious and wanton infringement of Merriam-Webster's trade dress but not to award attorneys' fees which involved application of a similar standard. In fact, the jury was precluded by the judge's instructions from awarding attorneys' fees. The district court instructed: "if you answer those questions, the law commits that issue to me, so you don't have to consider amounts or, anything in that connection on attorney's fees if you reach that issue for either party." (Trial transcript dated October 21, 1991, at 3522). Similarly, with respect to actual confusion, Random House ignores the very Second Circuit law it cites, which explicitly permits evidence that prospective purchasers (including retailers) were confused, a fact well-supported in the record. *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 808 F. Supp. 1013, 1024 (S.D.N.Y. 1992), *aff'd*, 984 F.2d 567, 574 (2d Cir. 1993); (Joint Appendix Filed With the Second Circuit, 179-80, 187-88, 188-89, 190-91).

enjoined defendant from utilizing a trade dress that was confusingly similar to plaintiff's. *Id.* at 969, 971. Under the majority rule, the Eleventh Circuit stated that "the jury's finding on likelihood of confusion is factual, . . . and must be affirmed if it was based on substantial evidence." *Id.* at 973. (Citations omitted). Applying appropriate deference, particularly with regard to the manner in which the jury weighed the factors, the Eleventh Circuit upheld the jury verdict.

The *Harland* court, in considering trade dress, id. at 981, and trademark claims, first concluded that plaintiff's mark was not "particularly strong"[9] and that while there were some obvious similarities, in part because of a shared generic term and in part because the parties' names appeared on the face of the competing products, the similarity between the marks was "far from overwhelming."[10] *Id.* at 975-76. The appellate panel next concluded that a great similarity existed between the products, and the types of customers and the places where the respective goods were sold, factors which weighed heavily in plaintiff's favor. *Id.* Regarding defendant's intent, the court concluded that, notwithstanding the lack of direct evidence, there was "some evidence" from which the jury "might" have inferred that defendant intended to appropriate some of plaintiff's good will by its choice of mark and dress. *Id.* at 977. Finally, after reviewing the record and finding evidence of two instances of actual confusion, the appeals court noted that, while "the evidence of actual confusion was not sufficient to compel a finding of likelihood of confusion, it was 'worthy of some

---

[9] In fact, the court noted that it must "carefully examine the remaining factors in order to determine whether, despite the fact that Harland's mark is not particularly strong, a reasonable jury could nonetheless conclude" that a likelihood of confusion existed. *Id.* at 975.

[10] The court explained that the fact that "the names of the parties appear in small print on the [products] does not preclude a finding" of substantial similarity. *Id.* at 976 n.15, 981 n.24. The court explained that the "presence of a manufacturer's name on a product is just one of many factors relevant to determining whether there is a likelihood of confusion." *Id.* at 981 n.24.

consideration.'" *Id.* at 978. (Citation omitted). Although neither "instance involved an intended order for [plaintiff's] product which was misdirected to [defendant], and neither instance indicated that . . . the ultimate consumers, were confused," the "jury reasonably could have inferred that there was a likelihood of confusion from the evidence that there was at least some actual confusion among persons responsible for marketing and processing the orders for the competing check products." *Id.* at 979.

In sum, the court determined that some factors weighed strongly in plaintiff's favor, some favored defendant and several were difficult to assess.[11] In marked contrast with the Second Circuit, however, the Eleventh Circuit "weigh[ed] the factors to determine whether there was sufficient evidence for the jury to find that there is a likelihood of confusion between the marks . . . ." The court concluded that, "although we would not necessarily have found a likelihood of confusion on these facts ourselves, we hold that there was

---

[11] Specifically, the Eleventh Circuit summarized the findings as follows:

> [Plaintiff's] mark is not particularly strong and although the two marks are similar in design, they are far from identical. However, the products, the retail outlets and purchasers, and the advertising media used by the parties all are exactly the same. Further, there was at least some evidence from which the jury could infer that defendant intended to adopt a similar mark in order to benefit from [plaintiff's] established reputation, and that there also was some evidence of actual confusion.

Id. at 980.

The Second Circuit here, unlike in *Harland*, agreed with the jury that Merriam-Webster's trade dress was strong. (Pet. at A11). The Second Circuit also agreed that the products were in close proximity. (*Id.*) As in *Harland*, there was evidence that showed that Random House intended to copy Merriam-Webster's trade dress and was aware that its dress could be confused with Merriam-Webster's. (Pet. at A30 n.3). The district court also catalogued evidence from which the jury could have found similarities between the dresses, as well as evidence that consumers were not sophisticated enough to discern the differences between the products. (Pet. at A29). Finally, the evidence of actual confusion here was at least as compelling as that offered in *Harland*.

substantial evidence to support the jury's finding." *Id.* at 980. Whereas the Eleventh Circuit, despite its own view, deferred to the jury's weighing, the Second Circuit here rejected the fact-finder's decision without considering whether it could be rationally supported and substituted its own view for that of the properly instructed jury. Had the Second Circuit applied the majority rule, a multi-million dollar jury verdict, punitive damages, and an injunction would not have been overturned.

CONCLUSION

The Court has recently agreed to resolve appropriate appellate standards of review in other contexts. *See Wilton (Leslie) v. Seven Falls Co.*, 29 F.3d 623 (5th Cir.), *cert. granted*, 115 S. Ct. 571 (1994); *and First Options Of Chicago, Inc. v. Kaplan*, 19 F.3d 1503 (3rd Cir.), *cert. granted*, 115 S. Ct. 634 (1994). Granting a writ of *certiorari* to resolve the appropriate standard of review in trade infringement cases would similarly provide uniformity and resolve a marked division among the lower courts which impacts virtually every trade infringement case. For these reasons, and for the reasons stated in the petition, it is respectfully requested that a writ of *certiorari* issue to review the judgment of the Court of Appeals for the Second Circuit.

Respectfully submitted,

Alan Mansfield
Counsel of Record

Lile H. Deinard
Alan N. Sutin
David M. Elkins
Greenberg, Traurig, Hoffman,
Lipoff, Rosen & Quentel
Citicorp Center
153 E. 53rd St.
New York, New York 10022
(212) 801-9200
Counsel for Petitioner

William J. Bowe
Of Counsel

February 1, 1995